

MEMORANDUM

To: Firms Intending to Bid
Re: Request for Proposal – Co Sourced Internal Audit Services
Date: Monday, August 11, 2014

When will the audit engagement begin?

- The engagement is expected to begin on January 1, 2015. As stated in the RFP, in order for the engagement to receive funding, it must be approved by the Legislature at their annual budget meeting in early December. It is expected that the engagement will be a 5 year contract. There is a possibility that the implementation timeline may allow for the risk assessment to be completed prior to the start of the 5-year contract (Prior to Jan.1, 2015).

What is the timing structure for the engagement?

- The Comptroller feels strongly that a level of effort of 1800 – 2500 hours will be sufficient. It is not expected that the chosen firm will have full time staff on site at the county, but rather would provide audit teams for specific audits and testing periods. The amount of audits/reviews will be determined after the completion of a risk assessment, which will aide in developing a formal audit plan.

How will the co-sourced audit engagement team be structured with remaining county staff? Will county staff be managed by the co-sourced firm?

- The County's Deputy Comptroller for Audit (DCA) will serve as the county's liaison with the chosen firm. The DCA will work with the firm's seniors and managers to help them navigate county government, familiarize them with our systems, and introduce them to key departmental and office personnel. All remaining county audit staff will continue to report directly to the DCA, and their activities will be assigned and monitored by him/her. Remaining county staff will continue to work independently on audits, reviews, and reports, and will be assigned to assist on audits being conducted by the chosen firm as needed. It is expected that the DCA will write the final report for each audit, which will be signed by the Comptroller, and then be presented to the Erie County Legislature for review, discussion and hopefully action.

Is the County looking for a specific number of audit team members?

- No. The County is more interested in what the chosen firm will be able to provide in terms of internal audit work than we are in how you structure your staff per engagement. However, it is our expectation that an effort of 1800 – 2500 will give your staff a regular presence in our office.

Please expand on what you meant by asking for a description of how a co-sourced firm would bill related expenses. Would it be preferable to bid a fixed fee, or a rate per hour?

- We were looking for an estimate of costs that would be billed to us, separate from the initial hourly rate. It is preferable to the Comptroller that all costs associated with the engagement be outlined in your formal bid. The Comptroller has no preference on whether you bid an hourly rate, blended rate or a fixed fee for services. Out of pocket expenses will not be reimbursed.

Is the County targeting a desired hourly billing rate for engagement staff?

- No. The Comptroller is looking for how adding the additional resources and expertise of a private firm can aid the internal audit responsibility of our office.

Does the scope of the engagement include component county units (Library, ECC, etc.) and activities related to enterprise funds?

- Yes. The Comptroller's powers and duties relating to audit are outlined in the [Erie County Charter, Article 18, Section 1802, Sub-Sections D, E, and G](#). Enterprise funds include Erie Community College and the Utility Fund.

How many locations and cycles are considered in-scope within the existing control framework?

- The county has numerous facilities and offices with a presence existing in almost every one of the 3 cities, 25 towns and 16 villages that make up Erie County. Some travel to these locations may be required, however the vast majority of audit work takes place at the administrative offices of the departments which are located in downtown Buffalo at The Rath Building, or very close by. The county has one fiscal cycle, which is the calendar year. However, several state and federal programs/grants that may be audited operate on a different fiscal year.

What percentage of the overall 2014 audit plan has been executed by the internal audit department?

- The decision to co-source our internal audit function was made, in part, as a result of the Comptroller not being satisfied with our current ability to properly and timely audit the county. The chosen firm will work in concert with the DCA to develop and execute a proper internal audit plan that will be more aggressive and successful than our current efforts.

What level of reliance does the County's external audit partner currently place upon the work of County internal auditors?

- None.

Given the nature of our community, there could be a scenario where the Comptroller's Office will need to look at an external entity that provides services to the county or receives direct funding.

What happens if the chosen co-sourced firm has a conflict of interest?

- It is our expectation that these conflicts will arise from time to time. The decision to co-source was, in part, made so remaining county staff would still be available to perform audits where conflicts may exist.

Are the following resources currently available in the Comptroller's Office?

- Audit Manuals YES
- County Charter YES
- Audit Programs YES – Audit priorities exist, but no formal risk assessment

- Risk Analysis Software NO
- Paperless Work Products NO
- Data Mining Software NO

Will there be a budget that permits the procurement of additional resources and software licenses?

- No. It is the Comptroller's preference that any additional costs or resources you will need to perform internal audit services for Erie County should be included in your formal bid.

How will the co-sourced firm manage changes in their audit plan that may occur if the County Executive, Legislature or another elected official requests an audit that wasn't planned?

- From time to time unexpected requests to audit or investigate a specific department, program or function of county government occurs. If the request is reasonable, the Comptroller has a policy of honoring it. In those instances the DCA will work with management at the chosen firm to insert the new request into the audit plan. The Comptroller understands and wishes to convey that the audit plan will be a working document and guideline that is subject to change.

Can the Comptroller provide greater detail surrounding the two scenarios requested for billing the risk assessment and the frequency of the assessment?

- The Comptroller believes strongly that a risk assessment of the county must be completed. Therefore, he is willing to work with the County Executive and the Legislature to attempt to fund it before and separate from the commencement of this contract. That scenario requires everyone working together to identify a funding source and get a funding resolution passed by the Legislature in short order so the chosen firm can have their risk assessment plan completed before January 1st. To begin seeking support from the County Executive and drafting a resolution for consideration by the Legislature, the Comptroller must have a firm fixed-cost bid/cost to conduct a risk assessment only. Knowing that this scenario requires incredible cooperation from multiple parties, it is possible that it will not materialize. In that instance, the risk assessment plan is still important and should be the first engagement of the chosen firm starting in January. It is for this reason that you are asked to provide a separate cost for performing a risk assessment engagement.

Is the requested level of effort of 1800-2500 hours on an annual basis, or over the length of the contract?

- The contract length is expected to be 5 years, with 1800-2500 hours annually.